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**BEFORE
THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA
DOCKET NO. 2011-47-W/S**

IN RE:

Application of Carolina Water Service,
Inc. for adjustment of rates and charges
and modifications to certain terms
and conditions for the provision of
water and sewer service

PRE-FILED TESTIMONY

OF

KEITH G. PARNELL

Q. WOULD YOU PLEASE STATE YOUR NAME, OCCUPATION AND BUSINESS ADDRESS FOR THE RECORD?

A. My name is Keith G. Parnell. I am President of Midlands Utility, Inc. ("Midlands Utility") and Development Service, Inc. ("DSI") located at 816 East Main Street, Lexington, South Carolina 29072.

Q. PLEASE SUMMARIZE YOUR PROFESSIONAL BACKGROUND.

A. I have been employed by both companies since 1990. Prior to this time I was employed by B.P. Barber Engineers as a design engineer and by the Naval Facilities Engineering Command as a design engineer. I graduated from the University of South Carolina with a BS in Civil Engineering in 1981 and a MS in Environmental Engineering in 1983. I am a registered professional Engineer in SC. I am also a Class A Biological Wastewater Operator.

Q. WHAT ARE YOUR RESONSIBILITIES AT YOUR COMPANIES?

A. My duties are the day-to-day operations of the utilities. This includes finance, personnel, **collection**, pumping, treatment issues, regulatory matters, and complaint issues.

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

A. The purpose of my testimony is to discuss the impact of the rate relief request by Carolina Water Service, Inc. ("Carolina Water") on the Vanarsdale area of Midlands Utility.

Q. PLEASE DESCRIBE THE VANARSDALE SERVICE AREA OF MIDLANDS UTILITY.

A. Midlands Utility owns and operates a collection system that serves approximately 416 residential and commercial customers near US Highway **378** and Leaphart Road in Lexington County. The residents of this area would be considered low to moderate income levels. The system has been connected to Carolina Water's I-20 system since around 1997. Midlands Utility connected to this system because the facility could not consistently meet its National Pollutant Discharge Elimination System ("NPDES") Permit requirements. Due to the 201/208 plan in effect at that time no upgrade would be allowed. Therefore, we entered into a contract with Carolina Water for bulk wastewater treatment.

Q. PLEASE ELABORATE ON THE 201/208 PLAN.

A. The 201/208 plan is the implementation of PL 92-500, Clean Water Act. It is administered by the Central Midlands Council of Governments ("CMCOG"). A main part of the plan is the consolidation of facilities. Any wastewater project is submitted to the South Carolina Department of Health and Environmental Control ("DHEC") and it is forwarded to the CMCOG for plan conformance. The plan designates where existing wastewater treatments plants are to connect to permanent facilities.

Q. WHERE WAS THE VANARSDALE FACILITY TO CONNECT?

A. In 1996-1997 the I-20 facility was considered a permanent facility. However, at the time the City of West Columbia was planning to build a new facility call Loricks Ferry. Loricks Ferry would serve the 12 and 14 mile creek basins.

Q. WOULD THE I-20 FACILITY BE INCLUDED IN THE LORICKS FERRY PROJECT?

A. Yes, That is why the CMCOG approved the connection of Vanarsdale into the I-20 facility.

Q. SO AT THIS TIME THE FINAL PLANS FOR THESE DRAINAGE BASINS WERE STILL " UP IN THE AIR"?

A. Yes, I first applied to connect the Vanarsdale facility to the City of Cayce.

Q. THE CITY OF CAYCE?

A. Yes, we had installed a 12 inch main to serve the six-mile creek basin which would pump to the existing sewer in the City of Cayce.

Q. WHY WAS THIS REQUEST DENIED?

A. They (CMCOG) wanted these customers in the customer base of the Loricks Ferry Project. Therefore, we complied by connecting to the I-20 facility for treatment.

Q. WHY IS MIDLANDS INTERVENING IN THIS MATTER?

A. The sewer customers affected by this action do not have a voice in directly expressing their thoughts on the rate increase. Presently the Vanarsdale Customers are paying too much for sewer treatment. As Midlands Utility is the sewer provider, it is my job to provide service at the best rate that I can obtain for them. In addition, with the present state of the economy, everyone should be mindful of fairly expensing services and not gouging the customers that really do not have any choice. Midlands Utility is also being "squeezed "so to speak by the financial costs associated with the maintenance, collections, and responsibilities required by the bulk transfer agreement with Carolina Water. In this regard, Midlands Utility has not requested any rate increase or adjustment for it's collection tariff for the Vanarsdale services in six years.

Q. IF APPROVED, WHAT WILL BE THE IMPACT ON THE SEWER CUSTOMERS IN VANARSDALE?

A. The current rate is \$16.53 per single-family equivalent for treatment. Midlands employs the pass-through provision in its tariff set at \$23.03 giving a total of \$39.56 per single-family equivalent. Under the proposed rates the monthly sewer bill would be raised to \$41.81 per single-family equivalent. Increasing the treatment charge affects the total charge to the customer. This decreases the available margin to Midlands Utility to maintain the collection works.

Q. PLEASE DESCRIBE WHAT ACTIVITIES ARE INCLUDED IN THE COLLECTION ONLY OR PASS-THROUGH CHARGE.

1 A. Everything from the customer's tap to the I-20 facility. This includes service line maintenance,
2 collection main maintenance, billings and collections, regulatory compliance and customer complaints.

3
4 **Q. IS THE PASS-THROUGH CHARGE COLLECTED BY MIDLANDS UTILITY?**

5 A. Yes, the treatment charge per resident that is paid to Carolina Water is collected by Midlands Utility
6 and added to the individual customer bill without markup.

7
8 **Q. THE PASS-THROUGH OR TREATMENT CHARGE IS DUE TO CAROLINA WATER EVEN IF THE**
9 **INDIVIDUAL CUSTOMER DOES NOT PAY?**

10 A. Yes

11 **Q. WHAT RATE DO YOU THINK WOULD BE APPLICABLE IN THIS CASE?**

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13 A. The rate needs to be calculated relative to allocation of where Carolina Water is actually providing it's
14 new expenses and infra structure, not to an existing treatment contract such as the pass through by
15 Midlands Utility.

16
17 **Q. PLEASE ELABORATE.**

18
19 A. Midlands Utility certainly recognizes the need for revenue for upgrade to comply with regulatory
20 requirements. However, we believe that the costs should be allocated to the customers that benefit
21 from such upgrades. In reviewing the documents we do not see any capital improvements at the I-20
22 Facility treatment plant.

23 Presently, Carolina Water is charging \$39.00 for its current full service sewer customers. In addition, it
24 charges \$25.70 for collection only customers. Therefore, they have set their company-wide treatment
25 rate at \$13.30 per single family equivalent. The proposed charge for full service sewer customers is
26 \$44.32 and \$29.20 for collection only customers. This sets the company-wide treatment rate at \$15.12.
27 This is illustrated below:

Type	Present	Proposed
Residential	\$39.00	\$44.32
<u>Sewer Collection</u>	<u>\$25.70</u>	<u>\$29.20</u>
Treatment	\$13.30	\$15.12
Midlands	\$16.53	\$18.78

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35 As seen above, the **current** rate charged to Midlands is sufficient to meet the proposed rates and more.
36 During the 2004-357-W/S rate case of Carolina Water, the rate was changed from \$11.00 to \$15.00 for
37 the Midlands Utility contract pass through arrangement. In Docket 2006-92-W/S , Carolina Water
38 obtained an increase of the Midlands Utility Vanarsdale pass through rate to \$16.53. (Midlands Utility
39 did not intervene in that docket, regreably.) The current rate of \$16.53 for Vanarsdale customer sewer
40 treatment has allowed a cushion to Carolina Water of \$1.41 above the company-wide rate now
41 proposed. This exposes the proposed rate as excessive, unequal and unfair. A fair proposal would be to
42 decrease the present Midlands rate of \$16.53 to \$15.12 considering the excess of the past and
43 inequality . Perhaps some type of refund is appropriate which could be deducted for a period of time to
44 obtain a balance of equal and fair treatment for past excessive profit to the end user customers.

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46 **Q. DOES THIS CONCLUDE YOUR TESTIMONY MR. PARNELL?**

47 A. Yes